

## **Master Plan Policy Paper #6: Affordable Access to Postsecondary Education**

May 1999

### **ISSUE AREA**

How do issues of affordability affect access to postsecondary education?

### **POLICY ISSUES**

1. What should be the state's goal, and its role in making postsecondary education affordable?
2. Should the state support students who choose nontraditional education pathways?

### **STUDY QUESTIONS**

1. Why does affordable access matter?
2. Who pays for higher education, and how much does it cost?
3. What is the current HECB practice/policy regarding the state's role in ensuring higher education affordability?
4. What is the role of student financial aid and other assistance programs in making college affordable?
5. For what groups of students is affordability a barrier to access?
6. What is the future outlook?
7. What strategies should the state use to enhance the affordability of postsecondary education?

### **OVERVIEW AND POLICY CONTEXT**

#### **Why Does Affordable Access Matter?**

Postsecondary education generates both individual and public benefits. Education beyond high school is perceived by most as a prerequisite to an economically and personally satisfying life. Individuals with a postsecondary education earn more and have greater opportunities for an improved quality of life than do those without it. Society in general also benefits from higher education. Citizens with a college education tend to contribute in greater measure, both economically and socially, to their communities than do those with less education (see Appendix A). Yet for many, the cost of this "ticket" to the opportunity for a more productive and satisfying life is more than they can afford.

## Family Concerns About College Affordability

Several studies and public opinion surveys report that paying for college represents one of the most fundamental concerns of the average American family. As noted in a recent national report,<sup>1</sup> paying for college ranks second only to buying a home as the most expensive investment for the average family. Another national study commission reports that public concern about college prices is now on the order of anxiety about how to pay for health care or housing, and how to cover the expenses of taking care of an elderly relative.<sup>2</sup>

A report published by the Sallie Mae Education Institute<sup>3</sup> cites a nationwide opinion survey conducted by *The Washington Post* (1996) on what worried adults the most. The survey ranked college costs fourth in the hierarchy of what worries American adults. Fifty-eight percent of the respondents worried that a good college education is becoming too expensive — only slightly behind their concerns that the American education system will get worse instead of better; that crime will increase; and that AIDS will become more widespread.

Although people worry about the affordability of college, public opinion surveys continue to report that parents believe in the importance of higher education for their children. For example, a recent study commissioned by Sallie Mae and fielded by Gallup & Robinson, Inc.,<sup>4</sup> found that, almost across the board, parents of college-bound high school students believe a college education is worthwhile and will contribute to their child's future happiness and prosperity.

While parents believe in a college education's value, only one-third named current income as a college finance source. Fewer than two in ten indicated they had saved at least half of the costs for their child's education. The percent of less affluent parents of younger children who had saved was even lower. The lack of savings causes many parents to rely more heavily on current income to pay for their children's college costs; this is not an option for many, who turn to financial aid for assistance. Others will give up the dream entirely.

While most studies and public opinion surveys on the affordability of higher education have focused on parents of high school students, these concerns could be echoed by older students who no longer have parental support — and who may have children of their own.

## What is “affordability?”

For purposes of this paper, the term “affordability” refers to whether the amount of money a student and his or her family must pay for a college education is within reach, with planning and a reasonable amount of personal commitment and sacrifice. The concept of affordability is *complex* — many partners contribute to making college affordable. And it is *relative*. For students from high-income families, affordability may not be an issue. For others, college is affordable only with substantial sacrifice and planning. For still others, paying for college with personal resources alone is not possible, even with planning and sacrifice.

“Affordability” also is *value laden*. The importance placed on higher education compared to other priorities, when funds are limited, plays a major role in determining the amount the public,

education institutions, private donors, students, and their families, are willing or able to pay for postsecondary education.

Recently, much debate has focused on rising college costs and what is perceived by some as an “affordability crisis.” As background to the Board’s consideration in developing the state’s Master Plan for Higher Education, this paper explores the issue of affordability and considers what strategies might be employed to help make college more affordable for the state’s citizens between now and the year 2020.

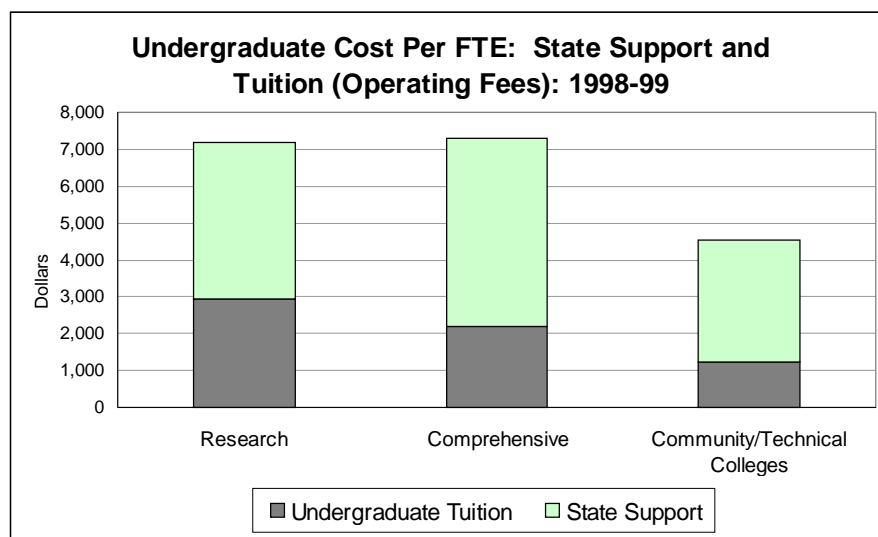
### Who Pays for Higher Education?

With dispersed benefits accruing from higher education, it is reasonable to ask, who should pay? In Washington, as in other states, many partners provide funding for college, and each plays an important role in determining the affordability of postsecondary education. The state and federal governments, students and their parents, institutions, business, philanthropic organizations, and private donors all help finance the costs of college attendance.

► **The Role of the State.** The greatest share of the cost of public postsecondary education is paid by the state, through appropriations to public institutions. By investing in the cost of education, the state helps to make college more affordable to state residents.

Figure 1 shows the proportion of the undergraduate cost per full-time-equivalent student paid by tuition and by state support in 1998-99.

Figure 1



The support of public colleges and universities comprises an *indirect* form of aid to resident students, available to all who qualify for admission, without regard to financial need. This

practice is demonstration of the long-standing public policy that widespread access to public postsecondary education is in the public interest.

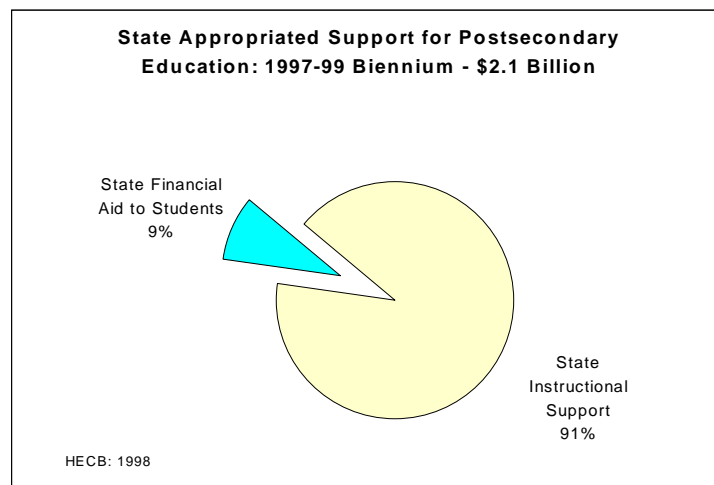
In addition to making public higher education generally affordable to residents through affordable tuition, the state also provides *direct* financial assistance to needy students attending both public and independent institutions in Washington. A small number of state-funded programs are intended to influence enrollment in specific shortage areas or to respond to specific state priorities. However almost all (96 percent) of the state-funded student financial aid administered by the Higher Education Coordinating Board is provided to individuals who could not otherwise afford to attend, even by assuming a large debt.

The state's commitment to need-based student financial aid demonstrates state policy and reflects HECB policy that the opportunities and benefits of a postsecondary education should not be denied to those who cannot afford to pay for it without assistance. (See Appendix B for a brief description of the various state-funded programs of student financial aid administered by the Higher Education Coordinating Board.)

In addition to these programs, in 1999 the Legislature, at the request of the Governor, appropriated funds for a new scholarship program. The Washington Promise Scholarship will be awarded to academically meritorious high school graduates whose family incomes fall within a specified range. Scholarships, which may be up to the equivalent of tuition at a community/technical college, will help make postsecondary education more affordable to lower- and middle-income students who meet academic achievement standards.

As seen in Figure 2, during the 1997-99 biennium, state support for postsecondary education totals \$2.1 billion. Of that amount, 91 percent is for state instructional support; and nine percent is for financial aid to students. Although financial aid to students represents a relatively small proportion of total state appropriated support for postsecondary education, it plays a critical role in providing grant assistance to Washington's lowest-income students.

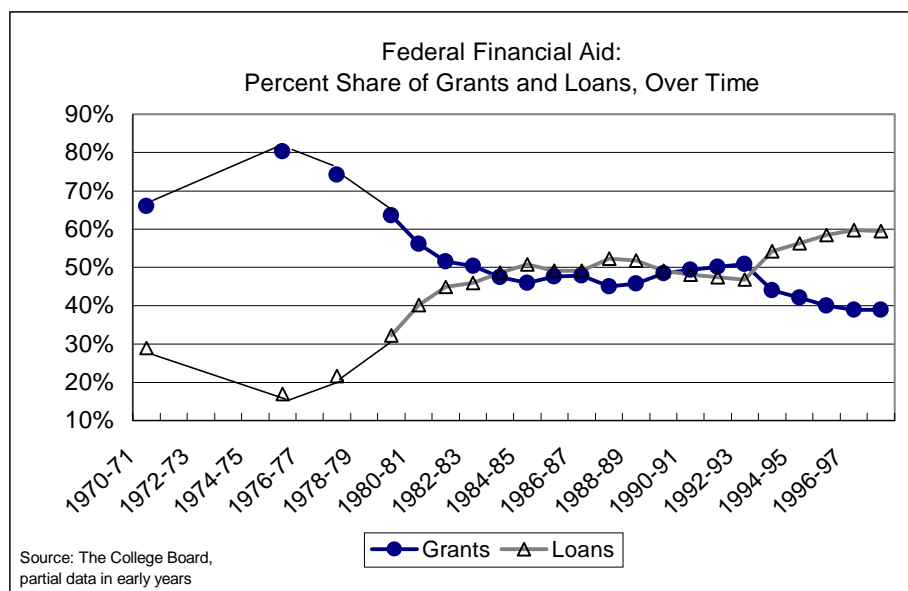
Figure 2



Note: State financial aid to students includes state appropriations to the HECB for student financial aid and funding provided to the State Board for Community and Technical Colleges for the Workforce Training Program.

► **Role of the Federal Government.** Federal support for postsecondary education, with the exception of research grants, has historically been targeted almost exclusively as financial aid for needy students. The federal government funds three-fourths of the total student financial aid available to Washington students. As can be seen in Figure 3, below, over the last two decades, the emphasis of federal funding for grants and loans has reversed. Some of this shift was the result of a change by Congress that extended student loans to middle and upper income students. The state's investment in student financial aid — and particularly its support of the State Need Grant program — has helped mitigate the effect of the federal shift between grants and loans on the lowest-income students.

Figure 3



In 1997, the federal government enacted the Taxpayer Relief Act (TRA). This law, which became effective January 1998, provides new “financial aid” through the use of income tax credits, savings incentives, and limited deductibility for interest paid on student loans. In two ways the TRA marks a systemic change in the way the federal government assists students in financing higher education.

First, the benefits of the TRA are directed toward middle- and upper-income taxpayers, as opposed to the government’s historical focus on providing student financial aid to lower-income students. Lower-income students who owe no federal taxes will not benefit, and those students whose family tax bill is less than the maximum credit will receive only partial benefits. Second, they use tax credits, or foregone revenue, rather than direct funding through the appropriations process.

Many additional students and their families will be eligible for federal assistance as a result of this new legislation that seeks to make postsecondary education more affordable to American taxpayers. It is estimated that once all the provisions of the Taxpayer Relief Act are fully

implemented, its cost will approximate the amount now provided through all other existing federal student financial aid programs combined.

► **The Role of Parents and Students.** Parents and students contribute to the state's economy and help support higher education through the payment of taxes. As consumers of higher education, they are expected to pay as much toward their tuition and other education expenses as possible, given their financial circumstances. Only those who demonstrate the inability to pay, based on a federal need analysis formula, may receive assistance through the need-based federal and/or state financial aid programs.

► **The Role of Institutions.** Institutions provide financial assistance to students through various means. Both public and private colleges waive tuition charges for segments of the enrolled population. In addition, private colleges dedicate a significant portion of their operating budgets for grants and scholarships to students who could not otherwise afford to attend these higher-cost institutions. Both public and independent colleges and universities also may provide financial aid generated through endowed or foundation funds.

► **Role of Business and Private Donors.** Businesses, philanthropic organizations, and private donors also contribute to higher education. State businesses support the tax base from which appropriations are made, and many provide education assistance programs or scholarships for employees and their children. Many contribute to institutional endowment funds that are used to provide scholarships. Philanthropic organizations and private donors sponsor scholarships and also may provide direct support to institutions. Businesses themselves spend billions each year providing education and training opportunities to employees both on-site and through tuition support for instruction by higher education providers.

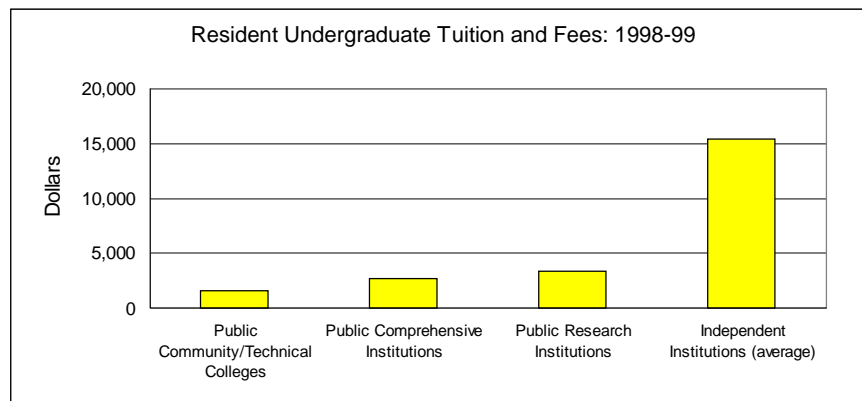
It is through the combined efforts of these disparate sources that access to affordable higher education is possible.

### **How Much Does College Cost?**

The most obvious student cost associated with college attendance is for tuition and fees. However, students also incur other expenses that add to the cost of going to college. Other education-related costs include books and supplies and transportation. Most also must pay for room and board (or rent and other household expenses), and all incur other miscellaneous living costs.

► **Tuition and Fees.** Tuition and fee charges differ by school type. Figure 4 shows the amount of tuition and fees charged by Washington colleges and universities to undergraduate, state residents during the 1998-99 academic year.

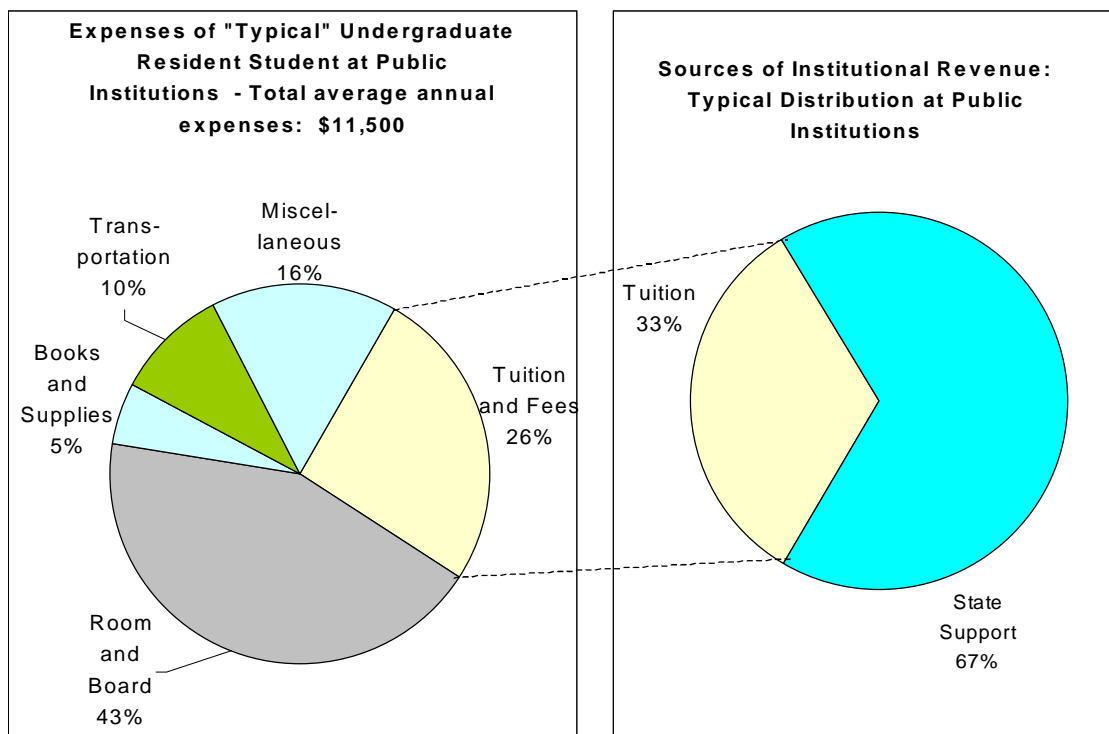
Figure 4



Graduate and professional students pay considerably higher tuition rates than do undergraduates. In Washington in 1998, the average public research institution's tuition and fees were \$3,381 for undergraduate programs; \$5,319 for graduate programs, and \$8,709 for professional programs. At the public comprehensive universities, undergraduates paid \$2,631 and graduate students paid \$4,204.

As illustrated in Figure 5, below, tuition constitutes a part of the overall expenses faced by a student, and part of institutional revenue. While tuition is the most visible cost of college attendance, it is only a part of the overall expense faced by a student. Similarly, tuition represents only a part of institutional revenue. As illustrated in Figure 5, tuition represents about 26 percent of the expenses of a "typical" undergraduate, resident student at a public institution; and approximately 33 percent of the revenue at a public institution.

Figure 5

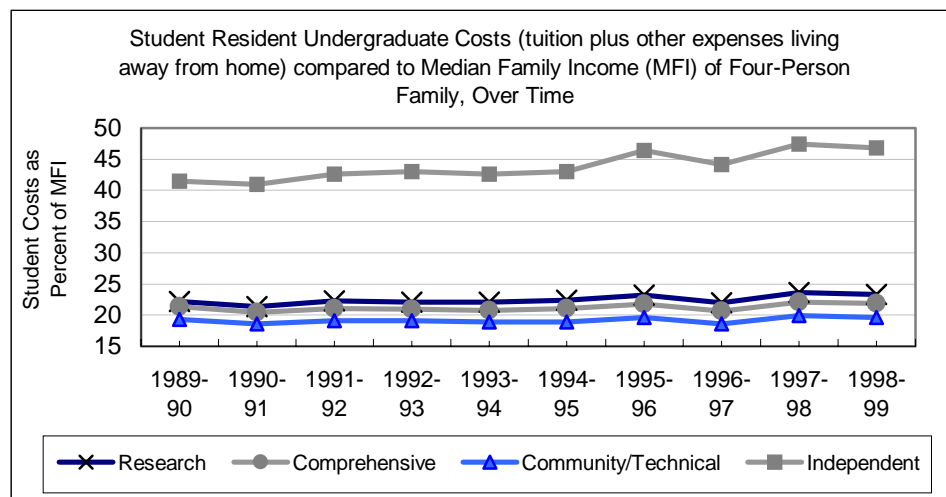


► **Other Costs.** It is estimated that the typical resident, undergraduate student living in campus housing or in an apartment will pay \$8,598 for non-tuition expenses during the 1998-99 school year.<sup>i</sup> Of this amount, \$4,998 is for room and board, \$1,134 is for transportation, \$624 is for books, and the remaining \$1,818 is for other miscellaneous expenses. If a student is not able to secure on-campus housing, increased rent can substantially impact the budget. Or a student who is able to and chooses to live at home may incur smaller room and board costs, but may have higher transportation costs than one who lives in a campus dormitory.

► **College Costs in Relationship to the State's Median Family Income.** Recently, much concern has been expressed in the press about “spiraling college costs” — with particular reference to tuition increases. While the tuition charged students attending Washington’s public institutions has increased over the last two decades,<sup>ii</sup> tuition rates at these institutions lag the average tuition of peer and national averages for like institutions.

Another way to think about affordability is to compare the increase in college costs to the change in the state’s median family income. As illustrated in Figure 6, below, the percent of median family income required to meet college costs has remained almost constant over the past ten years at state-supported institutions. Costs as a percent of the state’s median family income at independent colleges and universities have increased by approximately five percent during that period.

Figure 6



These data suggest that affordability at Washington’s colleges and universities has not diminished in terms of the median income. However it is important to look at affordability in terms of how income translates into the ability to pay for college costs, particularly for families with incomes below the median.

<sup>i</sup> 1998-99 Washington Financial Aid Association budget.

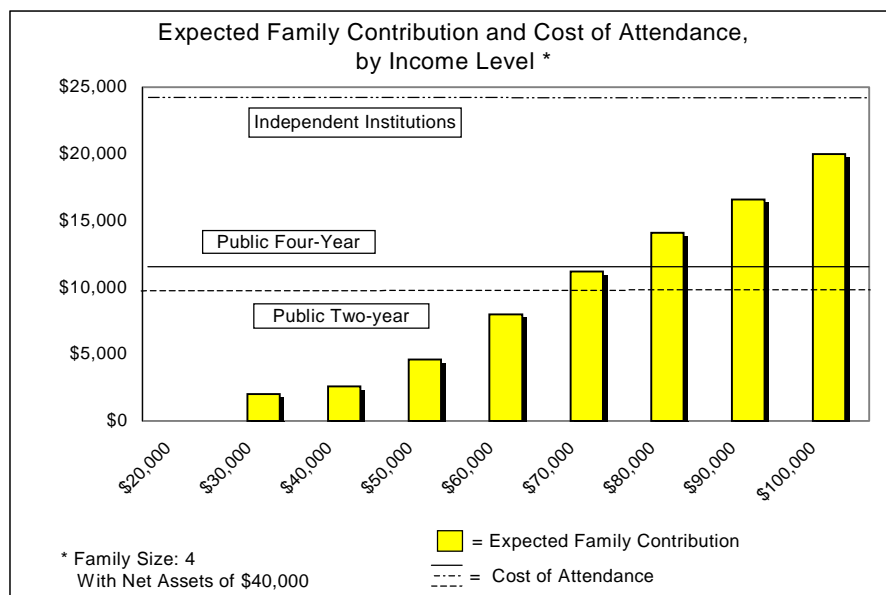
<sup>ii</sup> See Appendix C for more detail.



► **Expected Family Contribution, Compared to College Costs.** The federal government has established formulas to calculate the amount students and their families should be expected to contribute toward a student's college costs<sup>5</sup> based on the family's income and assets, family composition, and a variety of other factors that influence ability to pay. It is this "expected family contribution," subtracted from the cost of attendance at a particular school that determines whether a student qualifies for financial aid, and if so, how much.

Figure 7 shows how much typical families at different income levels are expected to be able to pay, compared to the nine-month, resident, undergraduate cost of attendance at public two-year, public four-year, and independent institutions in Washington. As can be seen, a family of four with net assets of \$40,000 (not counting home equity or retirement funds) would have to earn \$62,000-\$70,000 per year to pay for college costs at a public institution from current income. Clearly, many lower-income families are unable to pay the cost of attending college without assistance.

Figure 7  
1998-99 Academic Year



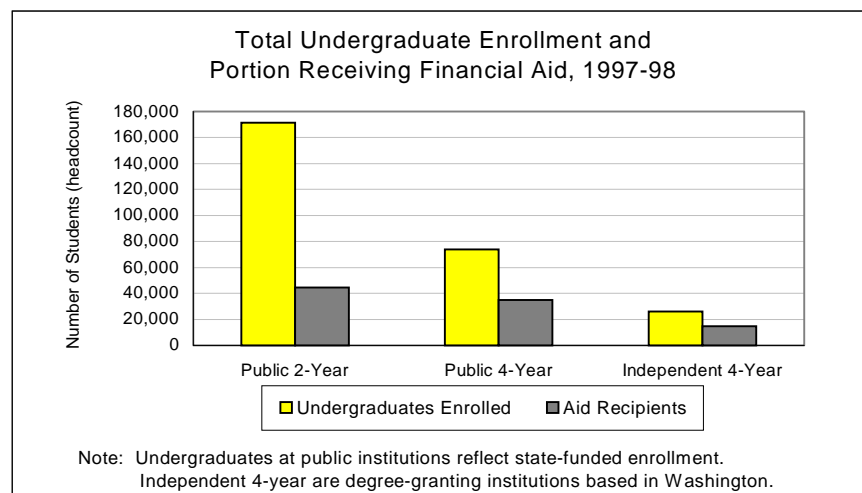
While paying for college represents a challenge for students from almost all economic strata, the issue of affordability is particularly acute for lower-income families, who have limited personal resources. The amount they have available for college expenses affects students' initial access to postsecondary education, as well as their ability to remain enrolled long enough to complete a certificate or degree.<sup>6</sup> For students from lower-income families, affordability is heavily influenced by the availability of student financial aid.

## Role of Student Financial Aid and other Assistance Programs in Helping Make College Affordable

The broad principle inspiring the growth of most undergraduate student aid during the past 30 years has been that access to college should not be limited only to those with sufficient personal resources to cover the cost. The aim of federal and state policymakers generally has been to extend the benefits of education beyond high school to all who are qualified. This has meant awarding aid according to some measure of student and family need.<sup>7</sup>

The purpose of need-based financial aid is to fill the gap between the cost of attending college and the amount the student and his or her family can pay. Some students require only a small amount of assistance; for them, a loan to help with cash flow, or a part-time job is all that is necessary. Others, however, need a full complement of grants, work study, and loans. During the 1997-98 academic year, over 100,000 Washington students (approximately 40 percent of full-time, undergraduates) received some amount of need-based financial assistance to make their attendance possible. Figure 8 shows the proportion of undergraduate students in public two-year, public four-year, and independent four-year institutions who received financial aid during the 1997-98 academic year. Students attending some private career colleges (proprietary schools) also received financial aid.

Figure 8



► **Aid Types: Availability, Advantages, and Limitations.** Need-based student financial aid is awarded through three types of programs: grants, work study, and loans.

- **Grants** are non-repayable and not based on service or employment. Some – typically tuition waivers or scholarships – may be targeted to specific populations or include performance criteria. Most need-based grants are limited to undergraduate study, and nearly all are awarded to students with substantial need. Grants are particularly important to low-income students, who have little family support and who would find it daunting to earn or borrow the full amount they need to finance their education.

The state has played a critical role in providing funds for grants, most notably through the State Need Grant program. Support for this program has been of particular importance to Washington's lowest-income students, as federal support for student aid has shifted heavily away from grants and more toward loans. Grants provide a critical foundation of support for students with limited family resources and are viewed by students as the "best" financial aid. However, research indicates that grants are most effective in promoting persistence when they are combined with work study, and loans.<sup>8</sup>

- **Work Study** allows students to earn a part of their financial aid while they are attending college. Both the federal government and the state provide work study programs that encourage employers to hire needy students by reimbursing them for a portion of student wages. The state program offers the added advantage of employment that is related, wherever possible, to the student's field of study. Both programs have limited funding.

While not a "financial aid program" per se, many students help pay for their education by working at least part time while they are enrolled. Nationally, a large majority of undergraduates (79 percent) worked while enrolled during the 1995-96 academic year. Among those who considered themselves primarily students working to pay their education expenses (50 percent of all students), the average number of hours worked per week was 25. Students who considered themselves primarily employees taking classes (29 percent of all students), worked an average of 39 hours per week.<sup>9</sup>

Working part time while enrolled has been found to have positive benefits in addition to the amount of money that can be earned. However, the more hours students work, the more likely they are to report that their jobs either limited their class schedules or affected their academic performance. A recent study reports that about one in five freshmen who worked full-time — 35 or more hours per week — did not complete their first year, compared with one in 20 who worked one to 15 hours.<sup>10</sup>

While part-time work is an important resource for most students, the price of college has outpaced the ability of students to earn enough to pay-as-they-go. As observed in Table 1, a student living away from home to attend college would have to work more than full time while enrolled, or earn far more than the minimum wage to cover college costs.

Table 1

Weekly Hours of Work/Hourly Pay Rate Necessary to Earn Full Cost of Attendance 1998-99 Academic Year		
	Weekly Hours of Work at Minimum Wage	Hourly Pay Rate Required If Working Part Time
	<b>OR</b>	
Public Two-year	49 Hours	\$12.50
Public Four-year	56 Hours	\$14.30
Private Four-year	117 Hours	\$29.70

- **Loans** are the third type of student financial aid. Representing 60 percent of the financial aid available to Washington students, loans are an important resource. Since 1993, federal loans have been available to all students, regardless of financial need. Students at all program levels and at all types of institutions borrow. Table 2 reports national data compiled in 1995-96, showing the percent of students who borrowed and the average total principal borrowed by type of degree/certificate.<sup>11</sup>

Table 2

Percentage of Recipients Borrowing in One or More Years And Average Total Principal Borrowed, by Type of Degree/Certificate National Data — 1995-96		
Degree/Award Received	% Students Who Borrow in One or More Years	Average Total Principal Borrowed
Certificate	53	\$5,597
Associate	42	\$5,059
Bachelor's	60	\$13,269
Master's	63	\$19,245
Doctoral	59	\$18,045
Professional	73	\$59,909

Source: United States General Accounting Office

The United States General Accounting Office study cited above, reports that about half (52 percent) of all undergraduate students use student loans to finance their education. The average debt for a public school graduate in 1995-96 was \$11,500; for students graduating from a private college, it was \$15,500. Twenty-five percent of private four-year graduates and 16 percent of public four-year graduates borrowed at least \$20,000; and 60 percent of the professional students borrowed a principal of \$50,000 or more.

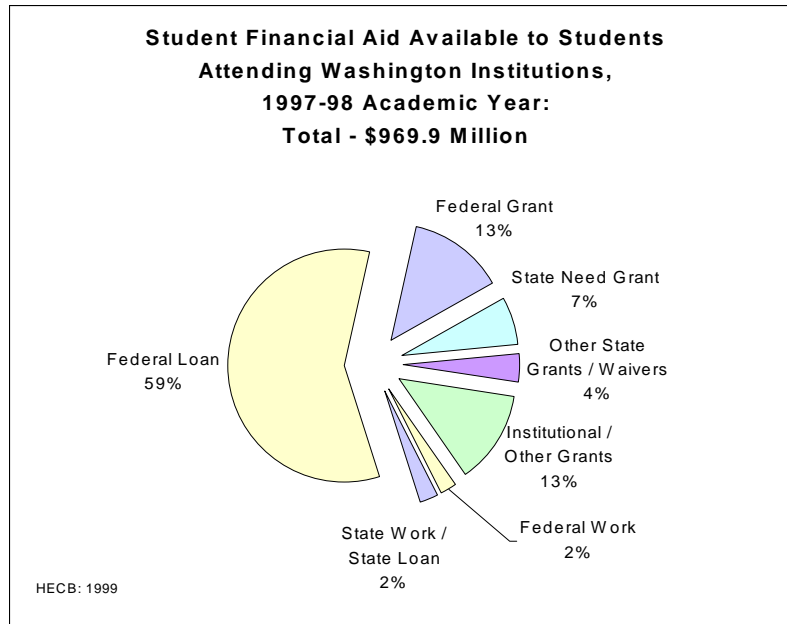
While student loans provide an immediate source of assistance, loans must be repaid, with interest. Over the life of repayment, the cost of a loan adds substantially to a borrower's actual cost of attendance.<sup>iii</sup> Student loan debt is a growing and very serious problem for a significant number of students and families.<sup>12</sup>

► **Distribution by Source and Type.** Of the \$970 million of financial aid awarded to students attending Washington institutions in 1997-98, nearly three-fourths was provided through federal programs; including nearly 60 percent in student loans. As can be seen below, state programs comprised 13 percent of the total amount available, with institutions and private donors also providing 13 percent. Thirty-six percent of the financial aid awarded was in the form of grants, and four percent was in the form of work study. The distribution of student financial aid

<sup>iii</sup> See Appendix D for loan limits and monthly loan repayment schedules.

available to students attending Washington institutions during the 1997-98 academic year by source and by type of aid is shown in Figure 9, below.<sup>iv</sup>

Figure 9



Notes: (1) Approximately 88 percent of all funds are awarded on the basis of federal “need” criteria. (2) Need-based tuition waivers awarded by public institutions and grants from the 3½ Percent Institutional Aid Fund are included in “Other State Grants/Waivers.” “State Work”/ “State Loans” include estimated awards from the 3½ Percent Fund for work and loan.

► **Impact of Financial Aid on Access and Persistence.** Each of the types of aid plays a vital role in providing access to postsecondary education, and in enhancing “persistence.” A state-specific research study conducted for the Board in 1996<sup>13</sup> confirmed national research findings that both the type and amount of financial aid influence student decisions to enroll and continue (persist) in higher education. The research concluded that, while financial aid does not entirely mitigate the negative effects of poverty, an adequate amount of financial assistance, available through an appropriate mix of grants, work study, and loans is essential to equal opportunity for both access and persistence of low-income students.

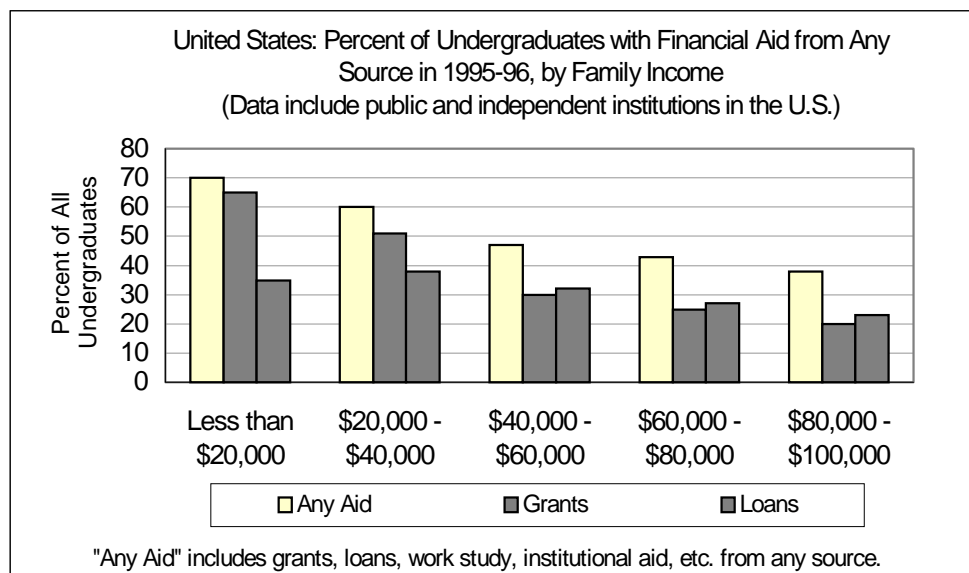
The study found that aided undergraduates were more likely to persist than those not receiving aid, a significant finding, given the fact that low-income individuals are much less likely than those with higher incomes to enroll in the first place. Another significant finding was that financial aid awards containing grants, work study, and loans had the strongest positive relationship with persistence, better even than an award comprised of all grants. However, both

<sup>iv</sup> In addition to the need-based tuition waivers included in “Other State Grants/Waivers,” public institutions are authorized to provide up to an additional \$104 million in tuition waivers for non-need purposes to a variety of student populations. Similarly, only institutionally funded grants for needy students at private colleges are included in “Institution/Other.” These figures do not include scholarships provided to students who did not have financial need; nor do they include private loans or other consumer debt accrued to pay for educational costs.

the Washington study and many other national studies report that working too many hours or having to borrow too much negatively influence enrollment and persistence.

► **Income Levels and Financial Aid.** The traditional financial aid programs are awarded on the basis of “need.” Need is defined as the difference between what it costs to attend a particular college and the amount the student and his or her family are judged able to pay. Since need is relative to cost, a student may be eligible for different amounts of financial aid at different schools. Contrary to a common misperception, not all need-based financial aid is limited to the very poor.<sup>v</sup> Figure 10 shows the percent of undergraduate students, nationwide, who received financial aid in 1995-96, by family income. As can be seen, both grants and loans were awarded to students across a wide income range.

Figure 10



Source: U.S. Department of Education, National Center for Education Statistics, 1995-96 National Postsecondary Student Aid Study.

► **Other Aid for Students.** The largest portion of public support for students is provided through state appropriations to public institutions and through federal and state student financial aid programs. The recently enacted Taxpayer Relief Act will also be a significant source of assistance to students and their families. In addition, students who meet eligibility criteria can access other types of assistance (usually targeted to specific populations). Appendix E lists several of the programs that are available, outside the traditional student financial aid programs.

<sup>v</sup> Institutions may choose to award local grant aid to students who do not qualify for federal or state grants to help meet their financial need. Students from all income levels may receive federal student loans. In addition, other forms of assistance are available to middle- and upper-income students who may not qualify for need-based financial aid; e.g., employer reimbursement for educational expenses; merit scholarships; the new federal educational tax credits, etc. These programs also make higher education affordable.

## Identifying Affordability Barriers and Strategies to Overcome Them

Affordable access is a reality for most learners who want to go to college and are prepared academically. For some, however, meeting the costs of going to college remains a significant challenge.

Even with the availability of student financial aid, national studies report that low-income students enroll in significantly smaller numbers than do those from high-income families.<sup>14</sup> The National Center for Education Statistics reports that 49 percent of the students from low-income families enrolled in college directly after graduation in 1996, compared to 78 percent from high-income families, a gap of nearly 30 percentage points. Low-income students who enroll also are much less likely than their more affluent peers (six percent, compared to 40 percent) to receive a baccalaureate degree or higher within five years.

In addition to socio-economic status, many factors influence the likelihood of college attendance including the educational attainment of parents, student aspirations, and academic preparation. However, for low-income students who make it over these hurdles, affordable access for the low-income is possible only with a substantial amount of student financial aid. And, for the best outcome, aid must be provided in a combination that is adequate, and in a way that does not require that the student work an unrealistic number of hours or borrow more than a reasonable amount.

The perception of affordability is a critical factor in a prospective student's decisions regarding academic preparation and participation in higher education. Individuals and their families who perceive that the cost of higher education is beyond their reach may see the economic barrier as one which cannot be overcome and, as a result, not prepare for, or pursue, the possibility of a postsecondary education. Although individuals from all income levels may be affected by perceptions of affordability, low-income, under-represented populations are at greatest risk. Students from low-income families — particularly those whose parents did not attend college — must be assured that if they prepare academically for college, financial assistance will be available to help them pay for it.

► **Provide better information about the value of college and how to get into college to under-represented and first-generation learners.** Information communicating the value of higher education, academic and financial preparation, and the availability of financial aid could be actively disseminated in a systematic and coordinated manner. The information would need to be appropriate to its intended audiences: elementary/middle school students, high school students, parents, individuals from under-represented cultural/ethnic backgrounds, and adults considering higher education for themselves. Information also should be provided to high school and community-service counselors, and others who work with low-income and at-risk populations.

Better, more accessible information also should be available to middle-class families about the importance of postsecondary education, college costs, and ways in which the future education of their children can be financed. College could be affordable for many if they knew more about

college costs and how to distribute the costs over a longer period of time: through savings, use of current income, and – if necessary – home equity or other loans assumed by the parents.

► **Coordinate state and federal financial aid.** In addition, the HECB should continue to coordinate state financial aid programs with the larger federal programs to maximize limited state funds, and to provide equity in the distribution of financial assistance.

► **Pursue state funding to meet Board SNG goals.** Current Board policy is that the State Need Grant program should serve students with incomes up to 65 percent of the state's median family income. The Board may wish to consider seeking legislative funding to provide SNG awards equal to resident, undergraduate tuition rate at the public institutions. This would make it possible for low-income recipients to enroll without having to work or borrow excessively.

► **Continue to support and provide information about the GET program.** Another tool that can be used to help make college affordable is the tuition prepayment plan offered by the state. One facet of this program, the Guaranteed Education Tuition (GET) plan, allows for prepayment of college tuition over a period of years before a student enters college. The opportunity to reap the advantages offered by the GET program or to save for college costs through other vehicles requires knowledge and preplanning on the part of parents or others concerned about the student's welfare.

► **Identify strategies to meet the unique affordability challenges of rural-area residents.** Often, residents of rural areas of the state must travel a long distance to attend college classes; others must relocate to enroll in a particular program of study. Data from the State Population Survey conducted in spring 1998 show that families in rural counties tend to be less affluent. County population increases forecasted in 1995 suggest that growth will occur in several rural counties between 1998 and 2010. Increases in county population could place a demand on local postsecondary institutions that is greater than they can meet. Some areas do not have institutions that provide the educational level or programs needed by individuals who live there. In both instances, relocation may be necessary to pursue a postsecondary education. College costs may be a greater burden for students who must relocate than for others.

► **Revise financial aid rules to meet the needs of learners participating in new delivery systems.** The recent and growing role of electronic technology in delivering postsecondary education highlights a significant new issue related to affordability. In their present form, federal and state financial aid programs, which were designed to fit the traditional college model, do not lend themselves to nontraditional educational delivery systems. Existing legislation and rules may need to be amended or new programs established to provide financial aid to this emerging population.

In the 1960s and 1970s, when most federal and state financial aid programs were created, higher education was based, almost exclusively, on a traditional college model. Students attended classes on a college campus; they enrolled for a nine-month academic year; and they incurred standard expenses for living on campus or at home, purchasing books and supplies at the college



bookstore, and transportation expenses for visits home or for commuting costs. Education programs were offered in quarters or semesters over a scheduled academic year; credit hours and grade-point averages measured progress.

Unless an education program or a student's enrollment patterns can be configured to fit the traditional model, it is difficult – if not impossible – for a student enrolled primarily through e-learning to receive financial aid, even if the student is low-income and would qualify for assistance in a traditional program. Similarly, it is difficult to address the differing educational expenses of students enrolled through technology even when they are eligible for financial aid.

How affordable access should be provided to students enrolled through new delivery systems is perhaps the biggest policy question facing both federal and state financial aid programs. The federal government has started to review this issue, with plans to authorize a limited number of demonstration projects to test ways in which financial aid might be provided to distance learners. Response to this emerging population will require systemic change in the determination of institutional and student eligibility, as well as comprehensive modification of most administrative processes. (See Appendix F.)

The Board should immediately begin to study the extent to which – and how – state financial aid should be provided for students who are pursuing postsecondary education via e-learning or other nontraditional delivery systems. The study should include, but not be limited to, how student and institutional eligibility should be established; how financial need should be determined; and the extent to which state financial aid for distance learners should be coordinated with federal programs.

► **Identify strategies to help learners progress more quickly to degree or program completion.** It is reported that the average undergraduate time-to-degree is over five years. And many students have good reasons for a longer time-to-degree: for example, they may work part-time or even full time while attending college. However, students and their families, as well as the state, could realize cost savings if students progressed more quickly to program completion. Students who take longer to complete must pay more for tuition, books, room, and board. Many incur added student loans to help cover the costs. In addition, there is also the cost of lost income that might have been earned had the student completed sooner. The extended time-to-degree also costs the state, since it supports a significant share of the cost of instruction.

Costs could be reduced if students were better prepared when they reach college, if they were better informed regarding graduation requirements, and if they completed a full academic load each term. Additional financial aid would be needed by some to increase their course load. Institutions could help by providing better student advising and counseling to ensure that students are aware of graduation requirements, by improving articulation between institutions, and by ensuring that required courses are readily available to students needing them to graduate.

## **Future Outlook**

The number of Washington residents who are likely to require financial assistance in order to participate in higher education between now and the year 2020 depends on many factors. For example, the amount needed for state financial aid funds will depend on the number and socio-economic profile of enrolled students; where students enroll; the method of delivery; the job market and labor demands; changes in federal financial aid policy and funding levels; and a range of public policies influencing enrollment decisions.

The Board has estimated that postsecondary enrollment in Washington State will increase by over 80,000 students by the year 2010. Interest in serving residents of rural areas and the anticipated expansion of alternative educational delivery systems point to significant growth in the demand for higher education. If affordable access is to be available to the additional students who are expected to enroll, new approaches to determining eligibility and administering student financial aid may be necessary, and additional funding will be required.

## **Conclusions**

Higher education matters. It contributes to the development of human potential, and it furthers the productivity of the state and the nation. The provision of affordable postsecondary education and training represents an investment by the state in its residents – an investment that brings returns not only to the individual participants, but also to the state as a whole.

Affordable access to postsecondary education and training should be available to academically prepared Washington residents, regardless of their ability to pay for the cost with their own resources. While affordable access is available to many, it is not available to all. It can be enhanced by continued state investment in public institutions, with continued priority given to support for undergraduate education. Other strategies include financial assistance for those who are in need; consistent and accessible information and outreach; new ways of meeting the unique needs of rural residents; and by enhancing student progress toward program or degree completion.

## WHY AFFORDABILITY MATTERS – THE PERSONAL AND SOCIETAL BENEFITS OF HIGHER EDUCATION

Postsecondary education generates both individual and public benefits. To the individual, higher education is seen as the ticket to a comfortable and stable income, challenging work and, for some, passage out of joblessness and poverty. Higher education broadens one's view of the world, augments learning skills, improves workers' ability to develop and use technology, and increases productivity. And a well-educated citizenry contributes to the vitality of communities, the state, and the nation. Affordable postsecondary education and training is an investment by the state in its residents that brings returns not only to the individual participants, but also to the state as a whole.

Discussions of the benefits accruing from higher education often focus on what has become the obvious linkage between education and personal income. As Figures A-1 and A-2 indicate, education beyond high school provides a substantial benefit in terms of earning power and employment.

Figure A-1

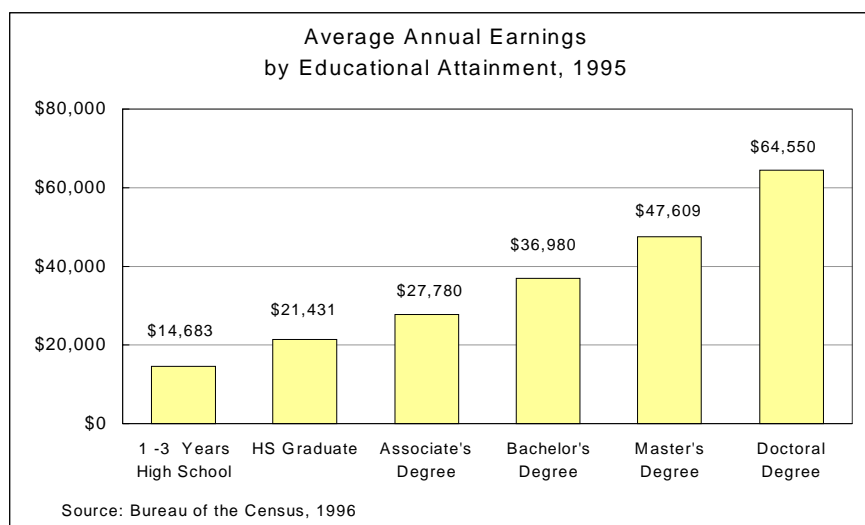
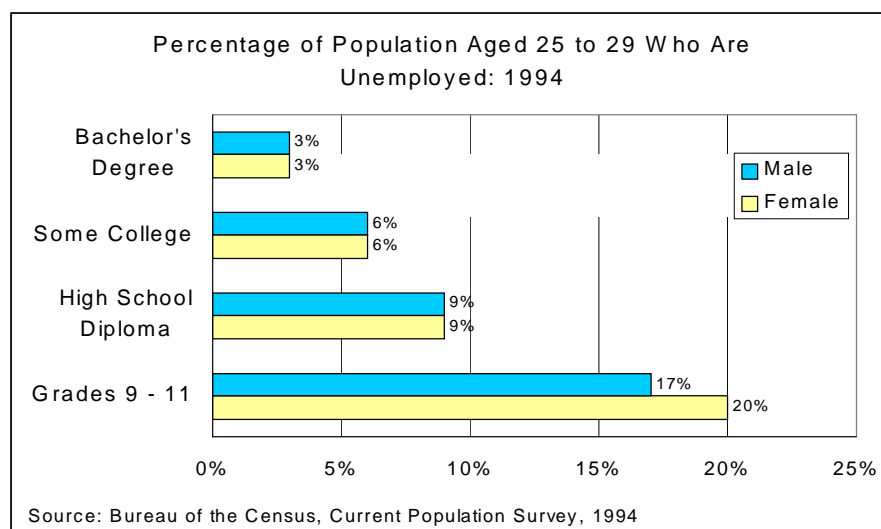


Figure A-2



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Other, perhaps less dramatic, benefits also flow from increased educational attainment. These include both personal (or private) benefits direct to the individual, as well as public (or societal) benefits that contribute more generally to the entire population. Table A-1, below, displays a matrix prepared by The Institute for Higher Education Policy,<sup>17</sup> illustrating the nature and relationship of a number of public and private benefits generally acknowledged to arise from increased education levels.

Table A-1

The Array of Higher Education Benefits		
	Public	Private
<b>Economic</b>	<ul style="list-style-type: none"> <li>Increased Tax Revenues</li> <li>Greater Productivity</li> <li>Increased Consumption</li> <li>Increased Workforce Flexibility</li> <li>Decreased Reliance on Government Financial Support</li> </ul>	<ul style="list-style-type: none"> <li>Higher Salaries and Benefits</li> <li>Employment</li> <li>Higher Savings Levels</li> <li>Improved Working Conditions</li> <li>Personal/Professional Mobility</li> </ul>
<b>Social</b>	<ul style="list-style-type: none"> <li>Reduced Crime Rates</li> <li>Increased Charitable Giving/Community Service</li> <li>Increased Quality of Civic Life</li> <li>Social Cohesion/Appreciation of Diversity</li> <li>Improved Ability to Adapt to and Use Technology</li> </ul>	<ul style="list-style-type: none"> <li>Improved Health/Life Expectancy</li> <li>Improved Quality of Life for Offspring</li> <li>Better Consumer Decision Making</li> <li>Increased Personal Status</li> <li>More Hobbies, Leisure Activities</li> </ul>

Source: The Institute for Higher Education Policy

The data in Tables A-2, A-3, and A-4 quantitatively illustrate some of the benefits of higher education.

Table A-2

<b>Presidential Election Voting Rates for the Population Ages 25 to 44 By Educational Attainment: Selected Years 1964-92</b>				
<b>Year</b>	<b>1 – 3 years of high school</b>	<b>4 years of high school</b>	<b>1 – 3 years of college</b>	<b>4 or more years of college</b>
1964	60.5%	75.5%	82.9%	86.2%
1976	38.5%	57.8%	67.4%	78.5%
1984	29.0%	49.1%	62.1%	74.7%
1988	26.3%	47.4%	61.7%	75.0%
1992	27.0%	49.8%	66.9%	78.5%

Source: National Center for Education Statistics, The Condition of Education, 1996<sup>18</sup>

Table A-3

<b>Health Characteristics of Adults By Educational Attainment, 1990</b>				
	<b>1 – 3 years of high school</b>	<b>4 years of high school</b>	<b>1 – 3 years of college</b>	<b>4 or more years of college</b>
Exercise or play sports regularly	29.7%	37.0%	48.5%	55.8%
Told more than once that they had high blood pressure	21.5%	15.7%	12.8%	12.4%
Smoke cigarettes daily	37.4%	29.6%	23.0%	13.5%

Source: National Center for Education Statistics, The Condition of Education, 1994<sup>19</sup>

Table A-4

<b>Participation in Leisure Activities in Prior 12 Months By Educational Attainment, 1993</b>				
	<b>Less than high school</b>	<b>High school graduate</b>	<b>Some college</b>	<b>College graduate</b>
Played Sports	18%	34%	49%	55%
Exercised	39%	55%	71%	75%
Visited Art Museum	7%	16%	35%	46%
Went to Sports Event	19%	33%	45%	51%

Source: National Endowment for the Arts, 1993<sup>20</sup>

While some of the benefits of postsecondary education can, and have been, quantified, others are more implicit or indirect in nature, and less amenable to quantification. The mix of benefits that

accrue to any one location or state depends on many factors, not the least of which is the variety of educational opportunities that are available. The type of education and related services provided by a major research university offer a different array of benefits than those provided by a community college or a vocational school. Access to the opportunities offered by all types of higher education is critical in order to maintain a comprehensive range of benefits to individuals, their families and communities, and to the state in general. But that opportunity is available only to those who can afford to pay for it, or have the knowledge and motivation to pursue alternative funding strategies.

The likelihood of college attendance is closely correlated with family income and the educational attainment of parents. As shown in Table A-5, high school completers from high-income families are 30 percent more likely to enroll in college immediately after high school than are high school graduates from low-income families.<sup>21</sup> Similarly, students are much more likely to enroll in postsecondary education immediately after high school if their parents have at least a bachelor's degree.

Table A-5

<b>Likelihood of College Attendance Immediately After High School</b>	
Low-income Families	49%
Middle-income Families	63%
High-income Families	78%
Parent Education	
Less Than High School	45%
Bachelor's Degree or Higher	85%

Source: National Center for Education Statistics

Factors that influence whether a student will enroll in college after high school also bear directly on the projections of future enrollment in the state. Data from the 1990 census show Washington adults are 13 percent above the national average for those who have attained a bachelors degree or higher; this ranks the state at the 76<sup>th</sup> percentile overall. This level of parental education suggests that the offspring of these parents will be seeking higher education at greater-than-average rates, as well. The practice of the Washington State Legislature long has been to ensure that opportunity is widely and equitably available to Washington residents from all economic strata. To sustain that practice, financial aid programs for the less economically well off must be maintained.

## **WASHINGTON STATE STUDENT FINANCIAL AID PROGRAMS**

### **State Need Grant (SNG)**

The State Need Grant program was established in 1969, to assist low-income Washington residents who attend participating institutions. Funding for the program is provided from two sources: state appropriations, and matching monies from the federal government through the State Student Incentive Grant (SSIG) program. Filing a Free Application for Federal Student Aid (FAFSA) assures the student of consideration for this state grant. No separate application is necessary.

In 1998-99, about 51,500 students will receive grants totaling \$72.9 million. The average base grant is \$1,406. Individual grants vary. Full-time and part-time undergraduate students are eligible to apply. Students with dependents can receive a dependent care allowance.

### **State Work Study (SWS)**

Established in 1974, this program provides financial assistance to eligible part-time and full-time students by stimulating and promoting their part-time employment. An equally important program purpose is the relationship of that employment to the student's academic pursuits or vocational goals. Funding for the program is provided through a state appropriation paired with an employer match. Filing a Free Application for Federal Student Aid (FAFSA) assures the student of consideration for the SWS program. No separate application is necessary.

In 1998-99, approximately 9,590 students will earn approximately \$20,000,000 (including the employer's share). The statewide master employer contract file lists 2,800 off-campus employers. Board staff annually process nearly 29,000 timesheets generated by students attending private institutions. Public institutions process their own student timesheets.

### **Educational Opportunity Grant (EOG)**

The purpose of this grant is to provide an incentive to eligible place-bound financially needy students who have completed an Associate of Arts degree, or its equivalent, by enabling them to complete their upper-division study at eligible institutions which have existing enrollment capacity. A full-year grant award is \$2,500. For 1998-99, an estimated 900 students will be awarded grants. Applications for the 1999-2000 academic year are currently available from the Board.

### **Washington Scholars**

This program was established to recognize and honor the accomplishments of three high school seniors from each legislative district; encourage and facilitate privately-funded scholarship awards; and, stimulate recruitment of outstanding students to Washington public and independent colleges and universities. High school principals nominate the top one percent of the graduating senior class based upon academic accomplishments, leadership, and community service.

Scholars may receive a grant for undergraduate study at Washington public or independent colleges and universities. Renewal each year is contingent upon maintaining a 3.30 G.P.A. The state grant for scholars attending independent schools is contingent upon the institution's agreement to match the award on a dollar-for-dollar basis with either money or a tuition and fee waiver. The maximum grant amount in 1998-99 is \$3,396.

### **Health Professional Loan Repayment and Scholarship Programs**

The purpose of these programs is to encourage eligible health care professionals to serve in shortage areas. It provides financial support in the form of conditional scholarships to attend school, or loan repayment if the participant renders health care service in medically underserved areas or professional shortage areas in Washington State for no less than three years and no more than five years.

**Loan repayment** recipients receive payment from the program for the purpose of repaying education loans secured while attending a program of health professional training that leads to licensure in Washington State. Applications for the loan repayment program are available after November 15.

**Scholarship** awards are made on a competitive basis to applicants who have been accepted into or who are enrolled in an accredited program leading to eligibility for licensure in Washington State, in one of the designated health care professions. Award of the scholarship is conditioned on the recipient agreeing to work in a designated shortage area in his/her chosen field for a minimum of three years. Applications are available for the scholarship program after January 15.

The annual award amount for each health care profession is based on an assessment of reasonable annual eligible expenses and loan indebtedness incurred in training and education for each health care profession. Awards may be renewed for a period not to exceed five years for eligible participants who continue to meet all renewal criteria each year of the award. Recipients who do not provide service in a health professional shortage area in Washington State are required to repay the award plus penalty and interest.

### **Community Service Initiatives**

The Board has funded eleven innovative community service projects for 1998-99, through a combination of federal SSIG dollars and SWS dollars. The projects provide comparative information regarding community service placements and evaluation data on job satisfaction, and the influence of community service on academic and career choice.

Schools receiving community service grants representing Washington Reading Corps and Related Literacy Efforts include: Columbia Basin College, Gonzaga University, Pacific Lutheran University, Lower Columbia Community College, and Eastern Washington University. Those with projects in other areas of service are: Central Washington University, Grays Harbor College, Pierce College/Medicine Creek Tribal College, and Western Washington University (with sites at The Evergreen State College, Seattle Central Community College, and University of Washington). Requests for proposals are issued each spring.

In addition, the Board continues its support of Best SELF and Campus Compact, and offers the option of an improved employer reimbursement rate for community service placements.

### **National Early Intervention Scholarship and Partnership (NEISP) Program**

The Washington National Early Intervention Scholarship and Partnership program is designed to motivate participating at-risk students to complete high school and subsequently enroll in a program of postsecondary education. Washington is one of only nine states to be awarded a grant, which is automatically renewable for up to four additional years. The program is a collaborative effort of community-based organizations, local schools and colleges, community members and the Higher Education Coordinating Board. It is located at five separate sites: Tacoma, Wapato, Aberdeen, Spokane, and Inchelium.

Through a program of academic counseling, mentors, and informational seminars, students are encouraged to develop academic, study, work, and interpersonal skills, and to start educational and career planning. In addition, students devote time to community service activities in group or individual efforts. Participating students receive a stipend for the time they commit to the program, including hours devoted to community service activities. In addition to the stipend, participants will receive points that can be redeemed for a scholarship for later college attendance. In 1998-99, about 325 students will receive the scholarship.

### **Washington Award for Vocational Excellence (WAVE)**

Established to honor students for outstanding achievement in vocational-technical education. Annually three vocational students in each legislative district receive the grant. The award is for no more than two academic years and may not exceed the annual undergraduate tuition and fees at public research universities. High schools, skills centers, and community and technical colleges nominate students to be considered for the award.

### **Western Interstate Commission for Higher Education (WICHE) Student Exchange**

There are three exchange programs available to Washington residents. The **Professional Student Exchange** provides state support to optometry and osteopathy students enrolled out of state. Twelve students will receive yearly support fees ranging from \$9,100 to \$13,400 in 1998-99. Applications are available from the Board and are due October 15 of the year prior to professional enrollment.

The WICHE **Regional Graduate Exchange** programs are distinctive master's and doctoral programs in which qualified residents may enroll at reduced tuition rates in out-of-state programs not offered in Washington State. The 14 participating states offer 128 programs at 38 graduate schools. Graduate students apply directly to the schools they wish to attend and request admission as "WICHE" students.

Through the **Western Undergraduate Exchange** (WUE), students may enroll in designated programs and schools in the 14 western states at 150% of resident tuition, rather than out-of-state tuition. Undergraduate students apply directly to the schools they wish to attend and request admission as "WUE" students.



**Washington Award for Excellence in Education**  
**(CHRISTA MCAULIFFE AWARD)**

This program recognizes teachers, principals, and school district administrators for their leadership, contributions, and commitment to education. All recipients selected after January 1, 1994 receive a recognition award of \$2,500. Nomination forms are available through the Office of Superintendent of Public Instruction each January. Selections are made in March.

**Community Scholarship Organization Matching Grants**

Matching grants of \$2000 are offered to 501(C)(3) tax exempt community scholarship organizations that raise \$2000 for student scholarships. Twenty-five matching grants will be available in 1998-1999. Applications are available from the Board.

**American Indian Endowed Scholarship**

The purpose of this program is to create an educational opportunity for American Indians to attend and graduate from higher education institutions in the state of Washington. The endowment is made up of equal contributions from the state, and from private donors which include individuals, corporations and tribes. The interest earnings of the endowment are used each year to award scholarships to financially needy, resident American Indian students. Approximately ten to fourteen scholarships of \$1,000 each are awarded each year. Applications are available from the Board in the spring and selections are made by June.

**Aid to Blind Students**

This small grant program provides up to \$200 per term to needy blind students. Recipients are reimbursed for special equipment, services, and books and supplies required because of their visual impairment. Applications are available from the Board.

**1998-99 SFA PROGRAM APPROPRIATIONS**

<b><u>Program</u></b>	<b><u>Appropriations</u></b>	<b><u>Awards</u></b>
SNG (Including SSIG)	\$72,900,000*	51,500
SWS (Including SSIG)	15,466,000*	9,590
EOG	2,420,000	900
Health Professional Loan Repayment & Scholarship	1,300,000	45
Washington Scholars	1,265,000	367
NEISP	800,000	260
WAVE	456,000	253
WICHE	220,000	32
Christa McAuliffe	197,500	79
Community Scholarship	50,000	25
American Indian Endowed Scholarship	22,000	19
Aid to Blind Students	2,000	5
<b>Total</b>	<b>95,098,500</b>	<b>63,075</b>

\*Includes federal matching monies.

**TUITION (OPERATING AND BUILDING FEES)  
Percent of Cost of Instruction Over Time  
1977 - 1995**

	<u>1977-78 to 1980-81</u>	<u>1981-82 to 1992-93</u>	<u>1993-94</u>	<u>1994-95</u>
<b>UW/WSU (RESEARCH)</b>				
Resident				
Undergrad	25.0%	33.3%	36.3%	41.1%
Grad & Law	115% of u/g	23.0%	25.2%	28.4%
MD/DDS/DVM	160% of u/g	167% of grad.	167% of grad.	167% of grad.
Nonresident				
Undergrad	100.0%	100.0%	109.3%	122.9%
Grad & Law	115% of nonres u/g	60.0%	65.6%	73.6%
MD/DDS/DVM	160% of nonres u/g	167% of nonres grad.	167% of nonres grad.	167% of nonres grad.
<b>CWU/EWU/WWU/TESC (COMPREHENSIVES)</b>				
Resident				
Undergrad	80% of UW/WSU res u/g	25.0%	27.7%	31.5%
Grad	80% of UW/WSU res grad.	23.0%	25.3%	28.6%
Nonresident				
Undergrad	80% of UW/WSU nonres u/g	100.0%	109.4%	123.0%
Grad	80% of UW/WSU nonres grad.	75.0%	82.0%	92.0%
<b>COMMUNITY COLLEGES</b>				
Resident				
Undergrad	45% of UW/WSU res u/g	23.0%	25.4%	28.8%
Nonresident				
Undergrad	50% of UW/WSU nonres u/g	100.0%	109.3%	122.7%

Source: Higher Education Coordinating Board<sup>22</sup>

For a number of years the state of Washington tied tuition at public higher education institutions to a given percentage of the operating cost of instruction. The fact that the percentage could and did change over time is indicative of changes in the viewpoints regarding who should pay for higher education and in the economic well being of the state. The cost-indexed policy was modified by the Legislature in 1995.

Since 1996, changes in the share of cost paid by students in the form of tuition has been loosely linked to changes in the state's per capita personal income (PCPI). Other states use various other methods to establish tuition rates; many leave tuition decisions up to institutions once state support has been established. In turn, these institutions may index to economic indicators other than PCPI, other tuition rates in the market in which they operate, or a combination of various considerations.

## FEDERAL STAFFORD LOAN PROGRAM BORROWING LIMITS AND REPAYMENT SCHEDULE

Several loan programs are available to students, the largest of which is the Federal Stafford Loan program. Two types of student loans are available through this program – subsidized and unsubsidized. The subsidized Stafford Loan is need-based. The unsubsidized loan is not need-based. It is available to any student whose education costs exceed the amount of financial aid awarded. The program also includes a loan for parents of dependent students. Since the federal government guarantees the loans, funds are widely available. The following tables show the annual and aggregate maximum amounts that can be borrowed through the Stafford Loan programs.

STAFFORD LOAN LIMITS		
	<u>Independent Students</u>	<u>Dependent Students</u>
	<u>Annual Maximums</u>	
Freshmen	\$ 6,625	\$ 2,625
Sophomores	\$ 7,500	\$ 3,500
Junior and Seniors	\$10,500	\$ 5,500
Graduate/Professional	\$18,500	N/A
Parent Loan for Undergraduate Students	Not Eligible	Cost of education less other aid
	<u>Aggregate Limits</u>	
Undergraduates	\$ 46,000	\$23,000
Graduate/Professional*	\$138,500	N/A
Parent Loan for Undergraduate Students	N/A	No Maximum

\* Includes loans made at the undergraduate level

STAFFORD LOAN REPAYMENT CHART				
<u>Loan Amount</u>	<u># Payments</u>	<u>Monthly Payment</u>	<u>Interest Charges</u>	<u>Total Payments</u>
\$ 2,625	65	\$ 50.00*	\$ 642.61	\$ 3,267.61
\$ 5,250	120	\$ 64.39	\$ 2,477.14	\$ 7,727.14
\$ 9,250	120	\$113.45	\$ 4,364.48	\$13,614.48
\$13,250	120	\$162.52	\$ 6,251.83	\$19,501.83
\$17,250	120	\$211.58	\$ 8,139.17	\$25,389.17
\$23,000	120	\$282.10	\$10,852.23	\$33,852.23

Source: Northwest Education Loan Association

- Notes:
- The program's minimum monthly payment is \$50.00. To meet the required minimum payment, these monthly payments have a repayment period of less than 10 years.
  - The interest rate of Stafford Loans is variable with a ceiling of 8.25%.
  - This payment table is based upon the maximum allowable repayment period of 10 years, and the maximum interest rate of 8.25%.

## SOURCES OF AID FOR STUDENTS

The largest portions of aid available to students include the following general categories (discussed in other parts of this paper):

- State funding to institutions – which supports some of the cost of education – and therefore is provided to all students who enroll. Tuition, the “price” of education charged to students, is dependent, to a large extent, on what portion of cost is not covered by state investment.
- State funding of major financial aid programs for individual students. In Washington, the largest state supported financial aid programs are the State Need Grant and State Work Study programs.
- Federal financial aid to individuals through grants, loans, work study, and tax credits.

Students who meet certain criteria can access other types of assistance. The following list, though not exhaustive, incorporates the major sources of assistance available to students attending Washington institutions.

### NEED-BASED AND NON-NEED-BASED FINANCIAL AID PROGRAMS AVAILABLE TO WASHINGTON STATE STUDENTS, BY FUNDING SOURCE

#### **NEED-BASED**

##### **Federally-Funded**

Federal Pell Grant  
Federal Supp.Ed'l Oppty Grant (SEOG)  
Federal Work Study  
Federal Perkins Loan  
Federal Stafford Loan (subsidized)  
Leveraging Educational Assistance Partnership

##### **State Supported**

State Need Grant  
State Work Study  
3.5 Percent Loan Program  
(WICHE) Student Exchange  
American Indian Endowed Scholarship  
Educational Opportunity Grant  
Aid to Blind Students  
Three and Four Percent Tuition and Fee Waivers  
Timber and Fishery Workers  
Worker Retraining

##### **Private/Institutionally Funded**

Other Tuition and Fee Waivers  
Institutional Scholarships and Employment  
Private Scholarships

#### **NON-NEED-BASED**

##### **Federally Funded**

Federal Stafford Loan (non-subsidized)  
Parent Loan for Undergraduates  
Federal Hope Tax Credits  
Federal Lifetime Learning Tax Credits  
Educational IRAs  
Tax Deductions for Education Loan Interest  
AmeriCorps  
Veterans Educational Benefits  
Guard/Reserve Educational Benefits  
Bureau of Indian Affairs Programs

##### **State-Supported**

Washington Scholars  
Washington Award for Vocational Excellence  
Christa McAuliffe Award  
Specially Directed State Tuition and Fee Waivers  
Health Prof. Loan Repayment and Scholarship  
Reciprocity Agreements

##### **Private/Institutionally-Funded**

Institutional Scholarships and Employment  
Paul Fowler Scholarship  
Private Scholarships  
Employer Internships  
Employee Education Programs

## FINANCIAL AID FOR STUDENTS ENROLLED THROUGH ALTERNATE DELIVERY SYSTEMS

In the 1960s and 1970s, when most federal and state financial aid programs were created, higher education was based, almost exclusively, on a traditional college model. Students attended classes on a college campus; they enrolled for a nine-month academic year; and they incurred standard expenses for living on campus or at home, purchasing books and supplies at the college bookstore, and transportation expenses for visits home or for commuting costs. Financial aid programs were established based on that traditional model.

Over time, efforts by Congress to ensure integrity, and to stem fraud and abuse in the federal financial aid programs have resulted in increasingly prescriptive student and institutional eligibility criteria and administrative requirements. In their present form, many of the laws and regulations governing federal student financial aid do not lend themselves to the emerging nontraditional educational delivery systems. (See table, below, for examples.)

### Examples of Current Financial Aid Provisions That Impact Distance Learners

#### Institutional Eligibility

Current Provision: An institution is not eligible to participate in federal financial aid programs if: More than 50% of its courses are correspondence or telecommunications courses; or if 50% or more its regular enrolled students are enrolled in correspondence and/or telecommunications courses.

Issue: The availability of new technologies blurs the distinctions among correspondence, telecommunications, and residential courses. It also calls into question the validity of this rule in the changing environment.

Current Provision: Institutions must secure U.S. Department of Education approval of each new instructional site before financial aid may be awarded to students at that location.

Issue: The current backlog represents a major hurdle for institutions seeking to expand distance-based learning and is, perhaps, irrelevant.

Current Provision: The cost and credit load for coursework taken outside of the credential-granting institution are ineligible for financial aid funds, unless the “home” school enters into a consortium agreement with the “host” institution. By making the agreement, the home institution confirms that the credits taken at the other institution will be accepted as though they were earned at the home school.

Issues:

- The requirement for formal consortium agreements limits the financial aid options of distance-learning students to take courses from institutions that are not in consortia with the home institution (since neither the costs nor the credits are counted in the absence of a consortium agreement).
- The current limits in place for the percent of instruction that can be contracted represent obstacles to distance learners.

### **Student Budgets**

**Current Provision:** Federal rules do not allow financial aid to cover living costs for students enrolled in correspondence courses.

**Issue:** Current rules distinguish between “correspondence” and “telecommunications” with regard to what costs can be covered with financial aid.

**Current Provision:** The budget allowance used to determine eligibility for financial aid assumes that the student will incur living costs in order to attend college. The allowance is based on a traditional nine-month academic year, or in quarter or semester increments if the student does not enroll for the full school year. The allowance is based on costs for the area in which the institution is located.

**Issues:**

- Should financial aid cover living costs for distance learners? If so, should the allowance vary by locale?
- How should a living allowance be established for students who complete their coursework on an accelerated schedule?
- How should student financial aid budgets take into account the different equipment and related expenses of students enrolled in telecommunications courses (e.g., computer, telephone line, printer, etc.)?

### **Measurement of Satisfactory Progress**

**Current Provision:** To receive financial aid, students are required to enroll in and satisfactorily complete a minimum number of credits each term, and to maintain a specified grade point average. Time requirements are highly regulated by the U.S. Department of Education.

**Issue:** The traditional measurement of satisfactory progress will require a different approach for distance learners:

- Distance learners may start and end programs at different times;
- Seat time is not an essential measure of progress in distance learning;
- Work may progress at an accelerated or slower pace;
- Knowledge may be measured by competency, rather than by grades;
- Grading may vary from school to school, making the measurement of satisfactory progress difficult for students taking classes from more than one school at a time.

### **Calendar Issues**

**Current Provision:** Many financial aid requirements are tied to timeframes and seat time.

**Issues:**

- For enrolled students to qualify for financial aid, programs must meet minimum length requirements (measured in credit or clock hours and weeks of instruction);
- Institutional academic years must be at least 30 weeks (with “week” defined in federal regulations, based on seat time);

- The last date of attendance is used to determine whether a student is owed a refund (and how much); and the date on which student loan repayment must begin;
- Disbursement of aid is highly regulated, and is also tied to the first day of classes;
- Standardized timeframes and the use of seat time do not work well for many distance education programs;
- Competency based distance learning programs may not use credit hours;
- The standard 30-week “academic year” does not work for students who are progressing at a different pace.

### **Support Services**

**Current Provision:** To participate in financial aid programs, institutions must provide a comprehensive set of student support services.

**Issue:** New ways of delivering student support services will be needed.

Most (nearly three-fourths) of the financial aid available to Washington students is provided by the federal government. Student eligibility and many of the administrative requirements for state-funded financial aid programs are designed to complement and be coordinated with federal programs, in order to maximize resources and ensure equity in the distribution of funds among eligible students. Similarly, state programs require that institutions be approved to participate in federal financial aid programs as a prerequisite to state eligibility. Therefore, standards established for federal financial aid programs are of direct relevance to the state’s programs, as well.

How – and the extent to which – federal financial aid programs should be modified to respond to the emergence of new higher education alternatives made possible by technology, was a topic of discussion during the federal government’s recent Reauthorization of the Higher Education Act. Congress recognized that significant change would be necessary to allow students and institutions to take advantage of the opportunities provided through distance education. However, they were concerned that restructuring aid to fit new ways of delivering higher education presents risks, as well as opportunities. They determined that further study should be undertaken before changing student aid provisions. To provide for such study, they adopted a Distance Education Demonstration program.

This demonstration program authorizes the selection of a small number of institutions/consortia (15 next year, and up to 35 additional institutions during the third year), each of which will be permitted to waive a limited number of specific rules in order to award financial aid to a specific population enrolled in distance learning programs. Based on the outcomes of these demonstration projects, Congress will consider possible changes to institutional and student financial aid eligibility criteria when the Higher Education Act is next reauthorized in five years.

Since state aid programs are designed to complement and be coordinated with the larger federal programs, the state should proceed cautiously in making changes that may later conflict with federal modifications. However, the Board, in consultation with institutions and other interested parties, should begin to consider whether different aid programs might be needed or whether the policies and procedures for existing programs should be modified to enable students to engage in educational programs offered through technology.



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- <sup>4</sup> Sallie Mae Education Institute, June 1997, *College Affordability, A Closer Look at the Crisis*.
- <sup>5</sup> U.S. Department of Education, The EFC Formula Book, The Expected Family Contribution for Federal Student Aid 1998-99.
- <sup>6</sup> National Commission on the Cost of Higher Education, February 1998, *Straight Talk on the Cost of Higher Education*.
- <sup>7</sup> Gladieux, Lawrence E., *The Issue of Equity in College Finance*.
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- <sup>9</sup> National Center for Education Statistics, U.S. Department of Education, 1998, *Conditions of Education*.
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- <sup>11</sup> United States General Accounting Office, February 1998, *Students Have Increased Borrowing and Working to Help Pay Higher Tuitions*.
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- <sup>15</sup> The Institute for Higher Education Policy, March 1998, *Reaping the Benefits*.
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- <sup>17</sup> The Institute for Higher Education Policy, March 1998, *Reaping the Benefits*.
- <sup>18</sup> The Institute for Higher Education Policy, March 1998, *Reaping the Benefits*.
- <sup>19</sup> The Institute for Higher Education Policy, March 1998, *Reaping the Benefits*.
- <sup>20</sup> The Institute for Higher Education Policy, March 1998, *Reaping the Benefits*.
- <sup>21</sup> National Center for Education Statistics, U.S. Department of Education, 1998, *Conditions of Education*.
- <sup>22</sup> Washington State Higher Education Coordinating Board, October 1998, *An Overview of Tuition in Washington: 1998 Update*.